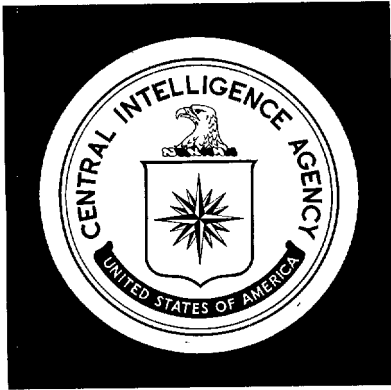


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USSR - NORTH VIETNAM: Soviet Deputy Defense Minister Batitskiy has concluded a ten-day visit to North Vietnam, where he presumably inspected improvements in Hanoi's air defenses and discussed additional Soviet assistance.

Marshal Batitskiy, who was in Hanoi from 17-27 March, was accompanied by several air defense specialists. Last year, Hanoi undertook significant improvements in its air defense network and received equipment for ten new SA-2 battalions from the USSR. This equipment, the largest Soviet increment to North Vietnam's air defense forces since 1967, accounted for \$45 million of the estimated \$100 million in military aid that Moscow provided Hanoi last year. While Batitskiy was probably interested in examining Hanoi's performance with this equipment, the composition of the delegation suggests that the Soviets took a hard look at all aspects of North Vietnam's air defense system.

Moscow's desire to exploit Hanoi's obvious discomfort over the Sino-US rapprochement may prompt the Soviets to be more receptive to North Vietnamese requests for additional military hardware, particularly if the survey revealed weaknesses new equipment could overcome. The North Vietnamese could also use Soviet assistance in improving air defense tactics. The North Vietnamese had high praise for the work of Batitskiy's delegation, although they made no mention of the deputy defense minister's presence in Hanoi until the last day of his visit.



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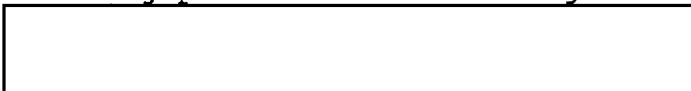
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INDIA-PAKISTAN: The prisoner-of-war issue may have lessened the chances for early negotiations between the two countries.

Over the weekend, President Bhutto publicly accused India of failing to live up to its obligations to the 94,000 military and civilian prisoners it has held since the end of the war last December. He made the same accusation to the US chargé in Islamabad, and the Pakistani ambassador repeated it in Washington. Bhutto denounced the "brutal killing" of prisoners. There have been two recent incidents in which guards have killed prisoners allegedly trying to escape. Bhutto also accused the Indians of trying to exploit ethnic differences among prisoners and said he would not "allow" Dacca to go through with the plan to try some 1,500 prisoners for war crimes.

The Pakistani president publicly stated that should New Delhi release prisoners to Dacca for war crimes trials, Indo-Pakistani relations would reach "the point of no return." Bhutto said that he still wants talks with India, but he warned that "I will not be blackmailed and browbeaten, and I will not be humiliated."

India has acquiesced in war crimes trials but is not committed to a timetable for turning over the prisoners to Dacca and maintains that the trials should conform to recognized legal processes. New Delhi may be growing more skeptical about the possibility of fruitful negotiations in view of the POW issue. The Indians recently informed Islamabad of their preference for a low-level preparatory meeting prior to a heads-of-government meeting.

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USSR-EC: Soviet Foreign Minister Gromyko has confirmed that Brezhnev's overture to the Community on 20 March marked a significant departure in Soviet policy toward the EC, but amplification will depend on developments elsewhere, especially in Germany.

In a conversation with the French ambassador on 23 March, Gromyko noted that the "change in principle" toward recognition of the EC had been approved by the Politburo. Although the decision apparently was reached earlier in the year, the timing of Brezhnev's announcement probably was determined by a wish to strengthen Chancellor Brandt's hand in the Bundestag ratification debate. The Christian Democratic opposition has used Soviet unwillingness to recognize the EC as one of its arguments against ratification.

Brezhnev's formulation on the EC was deliberately vague, as has been the case in his other détente initiatives. Refinement of the Soviet position normally would be left to negotiation, but Brezhnev may be tempted to be more explicit if he feels it would increase the likelihood of ratification.

While the uncertain outlook in the Bundestag may have helped determine the form and timing of Brezhnev's statement, the possibility that, beginning next year, East European trade with EC members will have to take place through the Community and not bilaterally, made necessary a reassessment of the Soviet stance toward the Common Market, regardless of the outcome of the German debate. The Soviets, moreover, want to forestall further independent East European approaches to the EC and to offset the recent signs of Chinese interest in the EC.

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Community circles, while accepting Brezhnev's speech as a turning point, have reacted cautiously. There is concern that Brezhnev's formula could imply a demand for Common Market recognition of CEMA. A French Foreign Ministry official last week expressed misgivings over such a bloc-to-bloc approach, which might strengthen Soviet control over East European economies and run counter to Romanian and French preferences for independence within their respective regional groupings. Although Italian Foreign Minister Moro is reported to have suggested a "permanent consultative trade group" between the EC and CEMA, the Community will probably maintain a wait-and-see attitude for now and insist that any new initiatives come from the East. [REDACTED]

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BANGLADESH: Prime Minister Mujib Rahman has announced an expanded government role in the non-agricultural sector of the economy.

All banks and insurance companies, jute, cotton textile, and sugar mills, most of which are owned by Pakistanis, have been nationalized. Mujib emphasized, however, that branches of other foreign-owned banks and insurance companies are not affected. In addition, the government has taken over all abandoned and absentee-owner's property worth more than \$200,000, as well as large portions of the foreign trade apparatus and the internal water transport system.

Mujib made no mention of any compensation to owners of affected firms. Even if compensation is paid to some owners, it is unlikely that Pakistanis will receive anything.

Although certain jute, cotton textile, and tea firms were nationalized soon after the Indo-Pakistani war last December, the latest announcement extends government ownership to almost all the country's major industries. These take-overs are in line with Mujib's promises during the election campaign of late 1970. The agricultural sector remains in private hands, but a ceiling of about 33 acres was set on family land holdings.

Extension of government control to include at least part of the shipping network may help speed the distribution of imported foodgrains. Apparently in an effort to reassure the populace in the face of rising rice prices, Mujib announced that two million tons of foodgrains are expected to arrive from abroad by the end of the year.

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POLAND: The recently elected Sejm (parliament) that convenes today will select a replacement for President Josef Cyrankiewicz.

Cyrankiewicz was not re-elected to the Sejm, a requirement for this position. The present minister of education, Henryk Jablonski, 62, is virtually certain to get the post. Two of the four vice chairmen of the council must be replaced. Prime Minister Piotr Jaroszewicz is likely to be reappointed, and except for a replacement for Jablonski and a new minister of health, no major cabinet changes seem likely.

The elections on 19 March were held a year early to provide party boss Gierek with a governmental mandate to go along with changes made in the party since his take-over in December 1970. Two thirds of the candidates on the approved list were not members of the last Sejm, indicating Gierek's efforts to put his personal stamp on the legislature.

Over 97 percent of the electorate went to the polls and a sizable number exercised the option of crossing out the names of candidates they did not like. Thus, while Gierek received a 99.8-percent vote in his district, some full members of the politburo stood as low as 96 percent and near the bottom of those selected by their constituencies. Some of the provincial party bosses, especially in Warsaw and the Baltic region where the rioting started in 1970, fared more poorly even though all were re-elected.

Nevertheless, the outcome represents an endorsement for Gierek's regime, the outcome that he sought and expected. Fifty thousand fewer voters than did so in 1969 indicated disapproval of the whole National Unity Front by crossing out all of the names on the ballot.

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EL SALVADOR: The Sanchez government may use its remaining months in office to push through additional economic and social reforms in an effort to regain public confidence, especially needed since the coup attempt last weekend.

The administration appears to be developing what the US Embassy describes as a "carrot and stick strategy." The "stick" has been much in evidence lately, with President Sanchez stating clearly that he would not tolerate political dissent that results in public disorders. Two violent deaths last week, widely attributed to the National Guard, are viewed by many as object lessons to others who might get out of line. The fate of those responsible for Saturday's coup attempt is not yet known. The constitution permits the death penalty for such actions, but a less severe punishment is more likely.

The "carrot" appeared last week when legislation was enacted limiting the amount of rent landowners may charge campesinos for farm land. Additional legislation may include the long-awaited agrarian reform law and provision for unionization of rural workers. These two items have been opposed strongly by conservative elements, but many had begun to realize, even before the abortive rebellion, that the pace of reform would have to be stepped up.

This trend may well continue into the next administration. President-elect Molina appears to be in accord with Sanchez' firm hand in matters of public order, but he has been characterized by some who know him as more reform-minded on economic and social matters than either of his two predecessors.



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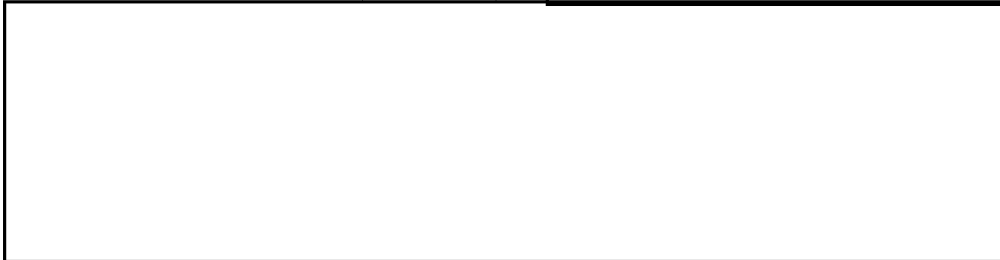
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CONGO: President Ngouabi has defied his powerful army chief by commuting the death sentences handed down by a Brazzaville military tribunal to 13 prisoners involved in the coup attempt last month.

Ngouabi has been publicly committed since early March not to execute any of the approximately 150 persons arrested for involvement in the take-over attempt on 22 February by regime extremists. His assurances--in Brazzaville and also during a visit to Paris--were prompted by allegations in some French newspapers of a massive post-coup repression in the Congo, including the torture and killing of prisoners. The Soviets may also have brought pressure on Ngouabi, at least indirectly, to spare the plotters.

Important elements of the Congolese Army have been pushing for the execution of the coup leaders. The chief proponent of this hard line is army Chief of Staff Yhombi-Opango, who was a major target of the plotters, and who was largely responsible for thwarting the coup attempt.



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ITALY-USSR: A state-owned Italian bank has extended a line of credit for \$129 million to finance the supply of Italian machinery and equipment for the Kama truck plant in the USSR.

Italy's participation in the Kama project will be small compared with its earlier role in building a passenger car plant at Tol'yatti, which required credits of about \$400 million. France also has offered credits of \$216 million for assistance at the Kama undertaking.

Thus far, the Italian firm, Fiat, is not involved in the project, although the firm had discussed the possibility of acting as principal coordinator in building and equipping the plant. Fiat officials publicly said that the firm did not have the capacity to handle the Kama project; in private they noted that their experience at Tol'yatti made them wary of further involvement with the Soviets. A high Fiat official said recently, however, that the firm is now interested in more limited participation.

The Italians are hopeful the new credit will boost their lagging exports to the USSR. Orders generated by the 1966 agreement with Fiat, for example, increased Italian exports to the point that Rome had a substantial surplus in its trade with the USSR during 1969-70 instead of the usual deficit. In 1971, however, Italian exports to the USSR declined while imports continued to rise, resulting in Italy's first trade deficit with the USSR since 1968.

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KUWAIT: The government has imposed oil production quotas in an apparent move to forestall debate on conservation measures proposed by opposition members in the Assembly.

Kuwait has orally instructed British Petroleum and Gulf Oil Company, the owners of the Kuwait Oil Company, to hold oil production this year at or below the level in 1971. Production thus far has been about 20 percent above the average for 1971, but the companies expected the total for 1972 to be only about six percent higher than last year.

Similar unilateral moves by Libya and Venezuela to establish quotas have not yet jeopardized the supply of oil to consumers. Increased production from other sources, such as Saudi Arabia, Iran, and Nigeria, will continue to satisfy expected growth in oil demand. The actions to limit production, however, demonstrate the ability of the oil producing countries to exert control over their oil resources. This impairs the flexibility of the companies in taking advantage of such factors as seasonal shifts in demand and changes in shipping rates.



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CHILE: A demonstration against the Allende government, now set for tonight, will probably lack broad support from opposition elements. The ineptness of rightists and military officers who apparently planned a coup last weekend has made other opponents wary of implied association with the discredited groups. The government's accusation that leaders of the far rightist Fatherland and Freedom Movement intended to use a women's march on 24 March to set off a coup will further curtail the Movement's usefulness as an opposition collaborator. Even the conservative National Party had been reluctant to support the women's march. The Christian Democrats, who organized a successful march last December, are continuing negotiations with Allende and are unlikely to participate.

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TURKEY: The three British radar technicians kidnaped Sunday near the Black Sea coast town of Samsun almost certainly were taken as hostages for the three terrorists who have been sentenced to death. A Constitutional Court ruling on a final appeal of the death sentences is pending and, if denied, the executions of the terrorists is likely to follow soon thereafter. One of the kidnapers has been tentatively identified as [redacted] a leftist terrorist accused of involvement in the kidnap-murder of an Israeli diplomat in Istanbul last May. [redacted] and four other terrorists escaped from a military prison in Istanbul last November. [redacted]

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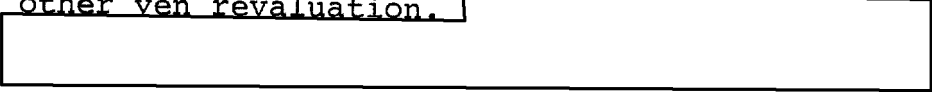
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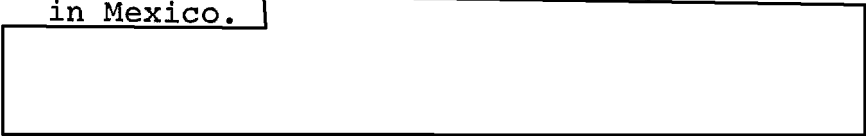
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JAPAN: The agreement to lend the World Bank the equivalent of \$325 million this year--the largest loan it has received--will help Tokyo's effort to hold down the growth of its foreign reserves, now about \$16.5 billion. Japan also has eased restrictions on capital outflows to encourage private investment and lending overseas, made larger foreign economic aid commitments, and increased foreign exchange deposits with Japanese commercial banks to allow repayment of short-term trade debts to the United States. In addition, Tokyo recently decided to permit for the first time the sale of foreign government bonds in Japan. All of these efforts are aimed at holding down pressures for another yen revaluation.



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MEXICO-CHINA: A commercial delegation from Peking will visit Mexico in early April in response to an invitation by a Mexican trade group that visited China last October. The trade discussion follows the establishment of diplomatic relations between the two countries in February. Although there seems to be little potential for greatly expanded trade with China in the near future, the contacts emphasize Mexico's continued search for new markets to increase its exports and to lessen its dependence on the US as a trading partner. In pursuit of this objective, President Echeverria visited Japan earlier this month. His talks in Tokyo could foreshadow a substantial expansion in existing trade relations and Japanese investments in Mexico.



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